AR82

2006 Annual Report

Olympia
Financial Group Inc.

2006 annual report

Olympia Financial Group Inc.

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President's Report

President's Report

Olympia continued to have success in all of its divisions in 2006. We had many significant accomplishments. Our shares were listed on the TSX Venture Exchange (OLY) in May. This was the first opportunity for our shareholders to get a market evaluation of their shares and with a trading range of $26 to $17, the shareholders were rewarded for their 10 years of patience. Original investors in the company paid $2/share.

The company also announced in November 2006 that the quarterly dividend would be raised for the 6th consecutive year to 20 cents/share commencing January 31, 2007. In December, the company was successful in hiring a senior manager to open our corporate and shareholder services division in Toronto. This office is now open and Olympia is now the only Canadian independent transfer agent with offices in Toronto, Calgary, Edmonton, and Vancouver. The company's expansion plans for eastern Canada were moved forward by the submission to the OSFI for a federal charter for Olympia Trust Company. We would hope to have a charter by mid year at which time we will begin to offer our other services to the Province of Ontario and other eastern provinces. Financially, the company again nearly doubled its pretax income to $3,939,350. The company also broke records for the amount of money that was raised in its annual charity golf tournament ($27,000) in support of the Children's Make a Wish Foundation and surpassed last years United Way campaign raising $42,000 and having a whopping 85% employee participation rate. We also had some fun last year. Employees (brave or crazy) enjoyed a bobsled run at Canada Olympic Park, pool tournaments, Halloween contests, the annual golf tournament, bull busting event, flower growing contests, stampede parties and most of all a great Christmas party. All in all, 2006 was a great year for the company, its employees and the shareholders.

All this growth does not come without its challenges. The company had 63 employees on January 1, 2006 and now has 115 employees. Each of these employees requires office space, equipment, and training. Fortunately, creative use of our existing head office

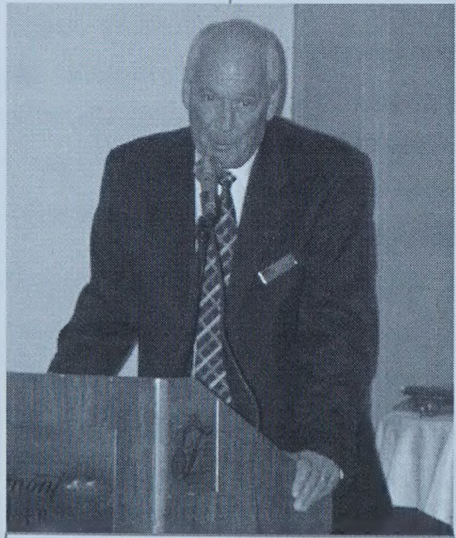
space and acquiring some additional space at below market rates has kept our rental expense at very acceptable levels. In fact, in 2002 rent was equal to 16.5% of the company's gross margin, and in 2006 rent was equal to 4.2%. The company's head office lease is not open for renegotiation for another 5 years. We expect to require additional office space in the next year, but the overall impact of higher rents should not be significant.

Olympia Trust has four major divisions: Health Plan Division, Registered Plans, Corporate and Shareholder Services, and Foreign Exchange. Each division operates independently of each other and each has its own Vice President.

Health Plan Division

Vice President Robin Fry has had a very exciting year. His division topped the million dollar pretax earnings level for the first time by posting a 17% increase in both revenues and pretax profits. Much time and some significant dollars were expended in the year experimenting with different marketing techniques and the division will continue to further evaluate some of these different models next year. Specifically, the company will be hiring full-time salary plus bonus employees to bring our message to the business community. Whereas we have been relying heavily on the life insurance brokers for new business in the past, we believe having focused employee agents may do the job better. To this end, the company will add 6 new marketing employees to its sales force for next year. They will operate out of our Edmonton, Calgary, Winnipeg, and Toronto offices and provide valuable information with respect to future years marketing focus.

Another area that required a significant amount of effort was developing a health card. Not content to follow the insurance industry and develop a prescription drug only card, the goal was to design a card that would work with all health care providers (dentists, optometrists, eye glass stores, chiropractors, physiotherapists, psychologists, etc.) This card is now ready for beta testing and should be available to the business community in the 2nd quarter of 2007.



Robin Fry, VP Marketing.

We think this will assist us in acquiring more large group business.

The company is now in a position to allow larger employers to design their own health benefit plans and take advantage of our low administrative fees and at the same time purchase insurance coverage through us for out of province emergency coverage and exceptional expense insurance. In addition, Olympia Financial Group Inc. incorporated Olympia Brokerage Inc. This company is a licensed life insurance company and will allow Olympia, through its employee agents, to set up the life and disability insurance for large groups and also sell individual life insurance. As a result of being able to earn profits from insurance sales, the company's overall profitability from participating in the large group market should increase.

Registered Plans Division

The Registered Plans Division earned top spot with respect to earnings. Under the leadership of Vice President Lori Martai the division posted a 142% increase in pretax earnings to $1,575,571. The division increased its self directed RRSP and RRIF plans from 8,641 at the end of 2005 to 12,968 at the end of 2006, an increase of 50%. Mortgages under administration went from 1,651 at the end of 2006 to 2,014, an increase of 21%.

This division works closely with promoters to assist them in making their real estate deals RRSP eligible and also works closely with mortgage brokers who use their client's money held in self directed RRSP and RRIF accounts to fund private mortgages. The division offers promoters of private securities an environment that is not found elsewhere in the industry and this environment contributes to its success.

Lynn Crichton honored with a 5 Year Service Award presented by Lori Martai, VP Registered Plans.

Corporate and Shareholder Services Division

Management with Venture Exchange President, Linda Hohol.

Vice President Randy Gregory's division provides services to companies and income trusts that list on the TSX,TSX Venture, NAZDAQ, American, and New York Stock Exchanges.

This division enjoyed record profits for the year. Pretax earnings rose 46% to $1,405,629 from $962,181 the previous year. The division also reached a milestone by opening a Vancouver office along with hiring senior management for a Toronto office. Whereas this expansion has caused some growing pains, the excitement of building the only Canadian controlled transfer agent with transfer points across the country was worth it. In addition to offering our clients more regional choices, the company has also been fortunate in acquiring the services of many experienced industry personnel which has resulted in the company developing some significant depth in its talent pool. The companies internal training programs and enthusiastic students has also greatly improved the depth of our talent pool. The division is now in a position to handle another round of growth while maintaining its high standards of service and reliability.

Foreign Exchange Division

Vice President Derrick Kachuik has the newest division head quartered in Vancouver and it is definitely our fastest growing division. The company offers foreign exchange services to the business community in competition with the chartered banks and independent brokers. Its services are unique in that it offers competitive rates and service offered by the independent brokers but the security of dealing with the banks. All funds accepted from our foreign exchange customers are held in trust until

Vancouver Foreign Exchange Group.

such time as the customer receives their foreign exchange. At no time are they a creditor of the company. This gives the company doing business with Olympia Trust an advantage over doing business with an independent broker in that the customer's funds would be treated as those of a general creditor in the event of insolvency of an independent broker.

This additional security of dealing with a trust company is obviously making some sense to the business community. Revenue for 2006 grew to $611,444 from $49,172 in 2005 (operations commenced in May 2005). The company continued to lose money in 2006 (< $311,084 vs. < $355,810 in 2005). Part of these continued losses can be attributed to adding more sales persons in the fourth quarter of 2006. We expect the division to be profitable in 2007. Our main focus will be to continue to grow the business. Plans are to open a Calgary office to handle Alberta trades by mid 2007.

As you can see from the above disclosures, the company is performing very well and there is nothing in the air except excitement for the future.

Information contained in the Management discussion and Analysis is presented on the same basis as the consolidated financial statements and was prepared in accordance with Canadian generally accepted accounting principles (GAAP). The document presents the views of management as at April 17, 2007. Additional information on Olympia Financial Group Inc. can be found on the Groups website at www.olympiatrust.com and on SEDAR at www.sedar.com.

Methodology for the analysis of results
Management evaluates the Groups performance on a reported basis, as presented in the consolidated financial statements.

Cautionary note regarding forward-looking statements
The Management Discussion and Analysis contains forward looking statements. A statement we make is forward looking when it uses what we know today to make a statement about the future. Forward looking statements may include words such as *anticipate, believe, could, expect, intend, may, objective, plan and will*. The forward looking statements contained or incorporated by reference in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Olympia Financial Group cautions readers against placing reliance on forward -looking statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward -looking statements, due to various material factors. These factors include, among other things, capital mark et activity, changes in government monetary, fiscal and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, competition, credit ratings, scarcity of human resources and technological environment. The foregoing list of factors is not exhaustive.

Management's Discussion & Analysis

Dewar McCarthy, new VP Finance for Olympia Financial Group Inc. and his wife Jenny, are introduced to the Olympia way of doing things at Canada Olympic Park.

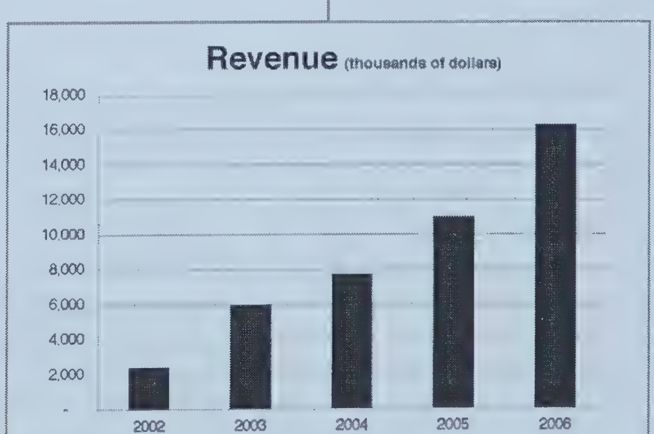
Summary of Financial Results

Overview of 2006

Olympia Financial Group Inc. is reporting net diluted earnings per share of $1.05 for the year ended December 31, 2006. This compares favorably with $0.64 per share for the year ended December 31, 2005. Income from operations increased to $2.6 million from 2005 income of $1.5 million. Dividends per common share increased from 27 cents per share to 39 cents per share.

The financial highlights

- Revenue from operations increased from $11.0 million to $16.3 million and was primarily due to organic growth in all four operating divisions,
- Growth in monies held in trust resulted in interest revenue increasing by 240% to $2.5 million,



- As expected direct and operating expenses grew in line with increasing revenues from $8.8 million to $12.0 million, an increase of 41%,
- Earnings before income taxes increased from $2.2 million to $3.9 million (a 77% increase)
- Income tax expense relating to operations stood at $1.36 million (34.85% effective tax rate) for 2006, compared to $0.7 million for 2005 (32.95% effective tax rate). The expense includes the effect of certain tax items detailed in the tax note of the consolidated financial statements.

TABLE 1 - Consolidated results
For the year ended December 31 (in thousands of dollars)

	2006	2005	2004	Variation 05-06
Operating revenue	13,820	9,932	7,679	39%
Interest revenue	2,475	1,078	67	130%
Total revenue	16,295	11,010	7,746	48%
Direct expenses	(3,151)	(2,813)	(2,489)	12%
Operating expenses	(8,842)	(5,730)	(3,937)	54%
Amortization	(362)	(233)	(142)	55%
Income taxes	(1,373)	(736)	(297)	85%
Income available to common shareholders	2,567	1,498	881	72%
Average number of common shares				
Basic	2,241	1,988	1,988	13%
Diluted	2,439	2,327	2,277	6%
Net income per common share				
Basic	1.15	0.75	0.44	53%
Diluted	1.05	0.64	0.39	62%

There was growth in all business segments, as evidenced by the continued increase in revenues as well as the continued improvement in income available to common shareholders. The Company does not expect this growth trend to change in the foreseeable future.

Public listing 2006

The common shares of the Company were listed on the TSX Venture exchange under the symbol OLY on May 18, 2006 at an opening price of $17.25.

Objectives for 2007

Management has set the following three priorities for 2007:

- Continued investment in the in-house software development program
- Development of our human capital
- Expansion into markets outside of Western Canada

Continued investment in in-house software development program

Management appreciates that the Company's client service is enhanced through the software that supports our various divisions. The software systems continue to mature and improve. Management has a policy of capitalizing certain salary costs associated with the development of the in-house software. Capitalized salary costs are amortized at rates which reflect the expected useful life of the software. In fiscal 2006 the company capitalized $30,695 (2005-$78,391) of salary costs.

Development of our human capital

Management is committed to providing the very best working environment and career development opportunities to its staff.

Expansion in to markets outside Central and Western Canada

The Company's traditional markets have been in Western Canada. The Company requires a Federal Charter in order to offer its services to Ontario and points east. To this end, the Company filed an application in November 2006. In addition the Company has incorporated a wholly owned subsidiary (Olympia Transfer Services Inc.) and hired a senior manager to commence offering transfer agency services out of Toronto. The subsidiary commenced operations in February 2007 and will be absorbed into Olympia Trust Company once a Federal Charter has been granted.

Financial Analysis

TABLE 2
Consolidated Balance Sheet
As at December 31
(in thousands of dollars)

	2006	*2005*
ASSETS		
Cash	6 ,493,672	4,600,670
Other receivables	1,459,602	1,245,059
Equipment	966,134	789,570
Other long term assets	169,709	238,293
	9,089,117	6,873,592
LIABILITIES		
Current liabilities	1,818,330	1,457,794
Long term liabilities	20,779	17,600
	1,839,109	1,475,394
EQUITY		
Capital stock	6,793,268	6,598,851
Contributed surplus	62,514	40,385
Retained earnings	394,226	(1,241,038)
	9,089,117	6,873,592

Cash resources

The company continues to generate and accumulate cash reserves from its core businesses. Cash reserves improved by 41% year on year. The company places its surplus cash on fixed deposit where it generates interest at favorable interest rates negotiated with a Canadian financial institution. Cash resources comprise 71% of the total current assets of the company.

Other receivables

Other receivables are comprised of accounts receivable, prepaid expenses and the current potion of deferred charges. Corporate Shareholder Services is the only division to operate an accounts receivable book. Management is committed to a policy of closely monitoring the Company's risk and exposure in this area. The Company provided $50,000 – 4% (2005 - $26,000 – 2.5%) as an allowance for doubtful accounts.

Long term liabilities

The Company's long term liabilities are comprised of future tax liabilities.

Current liabilities

The breakdown of the Company's current liabilities has not changed significantly when compared with the previous year.

Contingent liabilities

The company is not a money lender nor does it guarantee or participate in loans or mortgages of any type. Management is not aware of any contingent liabilities.

Related parties

During the year, the Company entered into transactions with the following related parties:

- Companies controlled by the president of Olympia Trust and Olympia Financial Group Inc.
- Companies controlled by directors of Olympia Trust and Olympia Financial Group Inc.
- Companies controlled by management of Olympia Trust and Olympia Financial Group Inc.
- Eyelogic Systems Inc. a company under common control.

Shareholders equity

During the year the following share movements took place:

	# of shares	Amount
Balance December 31, 2005	2,087,935	$6,598,851
Performance options exercised	287,500	14,375
Stock options exercised	37,667	168,335
Transferred from contributed surplus on exercise of options	-	11,707
Balance December 31, 2006	2,413,102	$6,793,268

The Company has established a stock option plan for directors, officers, and employees to purchase Class A common shares. Stock options are issued with an exercise price equal to fair value of the Company's common shares on the date of grant. The fair value of the Company's shares is determined by considering the share trading activities, dividend multiples and earnings per share multiples. Stock options have a maximum term of five years and vest one-third on date of issuance and one-third on each of the next two anniversary dates from issuance. At December 31, 2006 the Company had 91,450 options outstanding at an average exercise price of $11.89.

The Company issued performance options to certain officers, directors and an employee to purchase Class A shares. Performance options have no maximum term and are exercisable at an exercise price of $0.05 per share upon the Company meeting earning targets of $0.50, $0.75, $1.00 and $2.00 per share. Earnings per share for performance options are defined as earnings net of amortization and income taxes divided by the number of shares outstanding at the beginning of the year. All 143,750 of each of the $0.50 and $0.75 performance options were exercised in 2005. All 143,750 of

the $1.00 performance options were exercised in the first quarter of 2006. The 143,750 $2.00 per share performance options were exercised on April 11, 2006 and placed in escrow conditional upon the company meeting the $2 per share performance requirements. As at April 17, 2007 this condition had been met.

The Company has established an Employee Share Ownership Plan (ESOP) Under the plan, the Company contributes $1 for each $1 contributed by employees to acquire common shares of the Company. Employee and Company contributions are used to purchase common shares in the open market. The Company contribution is included as an expense in the statement of operations and amounted to $16,509 (2005 - Nil).

Quarterly Results

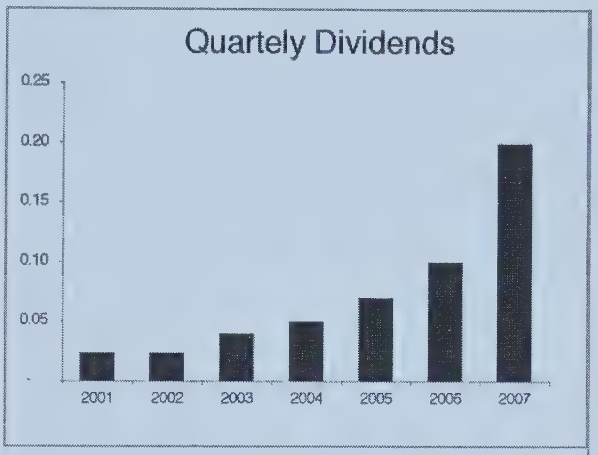
The Company's quarterly results are relatively stable from one quarter to the next due to the nature of our operations which are not subject to significant fluctuations in the short term. Results may be influenced by volume of transactions or specific events, as well as by changes in economic conditions, competition and regulatory developments, including fiscal policy.

Revenue streams continue to grow and resulted in a similar increase in earnings before income taxes. Management expects this trend to continue.

The table below presents the quarterly results for fiscal 2006 and fiscal 2005.

Eight quarters ended Dec 31, 2006

	2006				2005			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	$ 4,350	$ 3,876	$ 4,049	$ 4,019	$ 3,354	$ 2,641	$ 2,682	$ 2,333
Expenses	(3,368)	(2,944)	(3,131)	(2,912)	(2,617)	(2,122)	(2,229)	(1,809)
Earnings before income taxes	982	932	918	1,107	737	519	453	524
Net Earnings	$ 598	$ 625	$ 609	$ 735	$ 476	$ 356	$ 303	$ 363
- Per share - basic	0.27	0.28	0.28	0.32	0.22	0.18	0.16	0.19
- Per share - diluted	0.25	0.26	0.26	0.32	0.21	0.18	0.15	0.19
Dividends per share	0.20	0.10	0.10	0.10	0.01	0.07	0.07	0.07



For the fourth quarter of fiscal 2006, total revenue amounted to $4.35 million, compared to $3.4 million (28% increase) for the same quarter in 2005. Expenses increased by 29% during the same period indicating that margins are being maintained.

For the fourth quarter of 2006, the income tax expense amounted to $384,000 compared to $261,000 for the fourth quarter of 2005. The higher tax expense results mainly from the higher quarterly earnings.

Analysis of results by Division

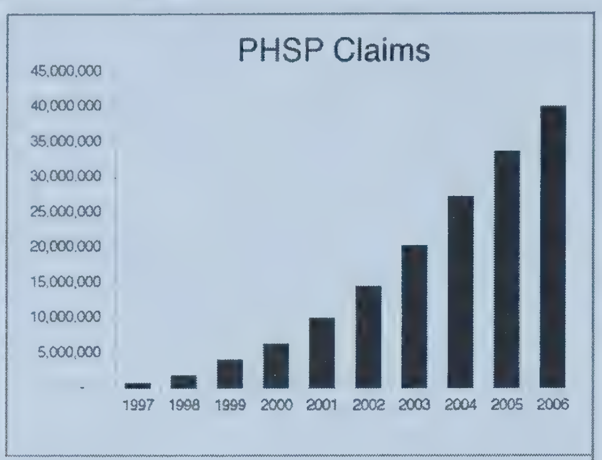
Private Health Services Plan Division

Summary of divisional results December 31, 2006 and 2005

	2006	2005	Variation
Revenues	$ 5,246	4,497	17%
Interest revenue	178	87	105%
Direct expenses	(2,299)	(2,246)	2%
Gross margin	3,125	2,338	
Operating expenses	(1,937)	(1,339)	45%
Amortization, equipment	(96)	(61)	56%
Earnings before income tax	1,093	938	17%
Income taxes	(381)	(309)	23%
Net operations	712	629	13%

The Health Plan Division experienced a 17% growth in revenues in 2006. The division is responsible for 38% of the Group's revenue which is down from 45% in 2005. Management expects that contributions to overall group revenue will fluctuate from year to year and are somewhat dependent upon growth in the other divisions. Continuing medium term downward trends are monitored by management. Total expenses increased by 45% in 2006. Net earnings before tax improved to $1.1 million in 2006, an increase of 17% when compared to 2005.

Management's Discussion & Analysis, continued



The Health Plan Division was the first operating division of the Company. Initially the objective of the division was to bring to the market place a health and dental benefit package that was efficient and effective for small business owners. The Company's focus was one or two person corporations that had traditionally been ignored by the insurance industry. This market niche was filled by Olympia Trust Company and is referred to as a Private Health Services Plan (PHSP).

Olympia Trust Company assists in the set up of PHSP's for an employer and then acts as administrator for the adjudication of employee claims, for a prescribed fee. The employer contributions to the PHSP are a tax deductible expense and health and dental claims paid to employees are tax free.

The retention rate of the Olympia Trust PHSP customers is very high. Many business owners who joined our plan starting in 1996 and subsequent years have continued to use our plan. The high retention rate combined with the addition of 600 to 800 new employees who join our plan monthly, results in a compound growth of health and dental claims.

Recently, emphasis has been placed on expanding the niche market to larger employer groups. There has been a measured and steady increase in the average number of employees per new customer account. Improved programming and marketing techniques and the addition of on-line internet reporting for both employers and employees has fostered acceptance of our program for many employer groups with 25 to 50 employees. The division will continue to focus on the small employer market but will also increase our presence and introduce our advantages to more large groups.

The division markets its products in the four western provinces through Olympia Trust. The head office is in Calgary, with branch offices in Victoria, Vancouver, Grande Prairie, Edmonton, Red Deer, Lethbridge, Saskatoon and Winnipeg. Olympia Financial Group Inc. markets the Private Health Services Plan in Ontario.

The company utilizes 21% (2005 - 22%) of its total assets in its Private Health Services Plan Division.

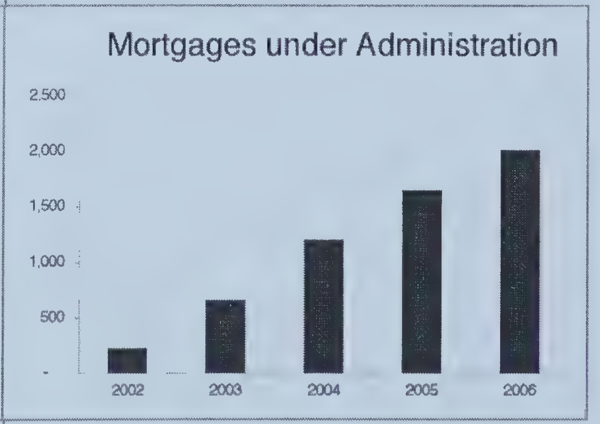
Registered Retirement Savings Plan Division

Summary of divisional results December 31, 2006 and 2005

	2006	2005	Variation
Revenues	$ 2,146	1,382	55%
Interest revenue	1,466	625	135%
Gross margin	3,612	2,007	
Operating expenses	(1,957)	(1,301)	50%
Amortization, equipment	(79)	(55)	45%
Earnings before income tax	1,576	651	142%
Income taxes	(549)	(214)	156%
Net operations	1,027	436	135%

The Registered Plans Division experienced a 55% increase in revenues in 2006. The division is responsible for 16% of the Group's revenue which is up from 14% in 2005.Total expenses increased by 50% and net earnings before tax improved to $1.6 million in 2006, an increase of 142% when compared to 2005. An increasing contribution from interest revenue was responsible for most of the increase.

The Registered Plans Division has experienced rapid growth and expansion in the past year. This division specializes in dealing with niche account administration demands that are not provided by most of our competitors. One of our specialties is the administration of accounts that invest in mortgages. These investors deal primarily with mortgage brokers and may have several mortgage investments in one account. We have been very aggressive both in pricing and marketing in this area, and our reputation for excellent administrative services is becoming well known.



Shares of qualifying Canadian Controlled Private Corporations (CCPC) are another investment option that many of our clients use their registered funds to purchase. Most trust companies shy away from this area. We like the business and have a certain historical expertise in this area which makes us feel comfortable in working with promoters who raise money for their projects by accessing registered funds. Our rapid growth can be attributed to our reputation for knowledgeable staff and prompt efficient service.

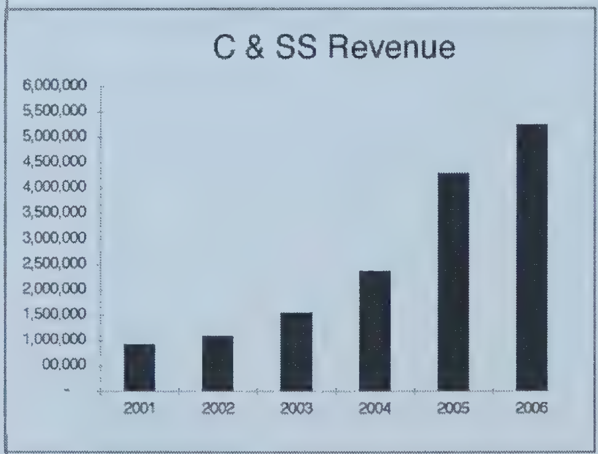
The company utilizes approximately 17% (2005 - 16%) of its total assets in its Registered Plans Division.

Corporate and Shareholder Services Division

Summary of divisional results December 31, 2006 and 2005

	2006	2005	Variation
Revenues	$ 5,743	3,990	44%
Interest revenue	649	291	123%
Direct expenses	(767)	(561)	37%
Gross margin	5,625	3,721	
Operating expenses	(4,079)	(2,658)	53%
Amortization, equipment	(141)	(101)	40%
Earnings before income tax	1,406	962	46%
Income taxes	(490)	(317)	55%
Net operations	916	645	42%

The Corporate and Shareholder Services Division experienced a 44% increase in revenues in 2006. The division is responsible for 42% of the Group's revenue which is up from 40% in 2005. Total expenses increased by 53% and net earnings before tax improved to $1.4 million in 2006, an increase of 46% when compared to 2005. An increasing contribution from interest revenue was responsible for most of the increase.



The Corporate and Shareholder Services Division deals primarily with public

companies and provides services that include acting as transfer agent and registrar, disbursing agent, dividend reinvestment services, employee share purchase plans, assisting companies with respect to corporate reorganizations and shareholder solicitations, scrutineering shareholder meetings and acting as trustee in a variety of roles such as; income trusts, debt issues, warrants and escrows.

The division is well respected in the industry and has made great strides in promoting its services over the past year. We are fortunate to have a very experienced group of hard working professionals that manage this area.

The company utilizes approximately 32% (2005 - 33%) of its total assets in its Corporate and Shareholder Services Division.

Foreign Exchange Division

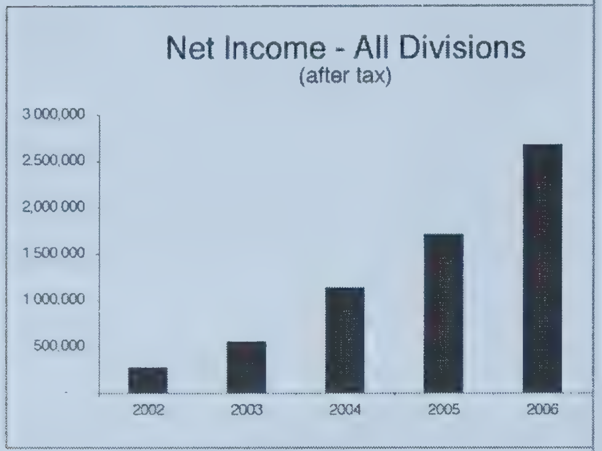
Summary of divisional results December 31, 2006 and 2005

	2006	2005	Variation
Revenues	$ 611	49	1143%
Interest revenue	1	-	
Direct expenses	(86)	(7)	1194%
Gross margin	527	43	
Operating expenses	(791)	(382)	107%
Amortization, equipment	(47)	(17)	182%
Earnings before income tax	(311)	(356)	-13%
Income taxes	108	117	-8%
Net operations	(203)	(239)	-15%

The Foreign Exchange Division experienced impressive Revenue growth in 2006. The division is responsible for 4% of the Group's revenue which is up from 0.5% in 2005. Management expects the division will become profitable sometime during the 2007 year.

The Foreign Exchange Division opened for business in June 2005 in Vancouver. In the first six months of the year the division was busy with system development, employee hiring and training and office set-up. This Division offers the business community the security expected when dealing with major banks and the personal service and competitive rates provided by nonbanking foreign exchange providers. The Company's focus is providing businesses with foreign exchange services. The Company operates an office in Vancouver, B.C. and plans to open in Calgary in 2007.

The company utilizes approximately 16% (2005 - 15%) of its total assets in its Foreign Exchange Division.



New business ventures

Eastern Canada

During the year under review the Company took its first steps into a new market. The corporate shareholder services division opened a share transfer service in Eastern Canada. The operation is not expected to break even for several months. The Company carries out its operations through an Ontario registered company Olympia Transfer Services Inc. The consolidated financial statements include the results of this wholly owned subsidiary. The Company has financed the startup of the operation out of current cash flows. Management is planning to use this office to expand its other product offerings into the Eastern Canadian market.

Private Health Plan

The current sales structure for private health plans has limited Olympia Financial Group Inc's returns to health plan revenues only. Management has recognized this short coming and has introduced a sales structure which allows it to benefit from the sales of group life and disability products as well as individual life insurance sales. The improved structure has required the formation of a wholly owned subsidiary corporation (Olympia Brokerage Services Inc.). The consolidated financial statements include the results of this wholly owned subsidiary. The Company has financed the startup of the operation out of current cash flows.

Federal Charter

In November 2006 the Company submitted an application to the Office of the Superintendent of Financial Institutions (OSFI) for a Federal Charter license. OSFI has acknowledged receipt of the application. As at April 17, 2007 the application remains in process.

Off-balance sheet arrangements

During the normal course of operations the company administers clients' assets that are not reported on the balance sheet through its wholly owned subsidiary Olympia Trust Company. The Loan and Trust Corporations Act (Alberta) requires the Company to maintain a minimum of $2,000,000 in the stated capital account. The values of the assets under administration are as follows:

	Cash	Securities and mutual funds - Market value
RRSP division	$3,330,593	-
Private Health Plan division	42,572,930	489,191,589
Corporate shareholders Services division	6,197,852	-
	$52,101,375	489,191,589

Post termination compensation

The Company has certain future contractual obligations with two of its management team. Management has assessed the underlying objectives of the future contractual obligations with reference to Section 1000 and Section 3461 of the CICA handbook and has concluded that the underlying nature of the payment is of a trailer commission. No expense and liability have been recorded.

Capital resources

Management has committed capital resources to realising its three priorities discussed in "Objectives for 2007". The capital resources committed are restricted to cash.

Liquidity

It is management's policy to maintain a healthy current ratio. The ratio is 4.37:1 (2005 – 4.01:1) and indicates that the company will not have difficulty in meeting obligations associated with financial liabilities.

Risk framework

The Company is exposed to various types of risks owing to the nature of the commercial activities it pursues. Management has identified the following risks:

Credit risk

Credit risk arises from the company's customers. There is always a potential that a customer will fail to perform their financial obligations. The Company has a significant number of customers which minimizes the concentration of risk.

Interest rate risk

Interest rate risk corresponds to the decline in revenue the Company may incur following unfavorable fluctuations of interest rates.

Currency risk

Currency risk corresponds to the loss in Canadian dollars that the Company may incur because of unfavorable fluctuations of exchange rates. It originates mainly from the foreign exchange positions maintained by the Company to support the offering of products and services in currencies other than the Canadian dollar.

Forward contracts and hedging relationships

The Company purchases forward contracts whenever it enters into a transaction to buy or sell foreign currency in the future. These contracts are short term in nature, in the regular course of business and are recorded for a short period of time only.

Management understands that the currency markets are volatile and therefore subject to higher risk. The Company applies the following policies to mitigate the currency risk:

- For contracts greater than US$100,000, a deposit of 5% is payable on signature of the contract. The Company sets up a corresponding hedging position with its currency supplier. If market rates vary by 4% or more the client is required to adjust their deposit to match the variance by the end of the trading day. If the client does not make the adjustment the contract is terminated the following trade day and the position is liquidated,
- For contracts less than US$100,000, a deposit of 5% is payable on signature of the contract. If market rates vary by 4% or more the client

is required to adjust their deposit to match the variance by the end of the trading day. If the client does not make the adjustment the contract is terminated the following trade day and the position is liquidated.

Operational risks

Management has identified the following operational risks which could negatively affect the Company's future strategies and objectives:

- The risk that management implemented internal control fail to detect errors, omissions or fraud,
- The risk that new markets may fail to produce estimated revenues,
- The risk that the regulatory environment in which the Company carries out commercial activities may change.

Controls and Procedures Regarding Financial Information

In order to ensure that the consolidated financial statements and the Management Discussion and Analysis present fairly, in all material respects, the financial position of the Company and the results of its operations, management is responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

The Company has adopted National Instrument 52-109 on the certification of issuers' annual and interim financial information and has reviewed its financial reporting process. The Company has chosen to employ an internal auditor whose is responsible for ensuring that the Company has complied with the controls and procedures regarding financial information. This undertaking has enabled the President/Chief Executive Officer and the Chief Financial Officer to attest that the design of the internal controls with regard to financial information is efficient. The President and Chief Executive Officer and the Chief Financial Officer also assessed that the disclosure controls and procedures were adequate, as at December 31, 2006, so as to provide reasonable assurance that the financial information to be disclosed is both complete and reliable. During the year ended December 31, 2006, no changes to internal controls over financial reporting had or are reasonably likely to materially affect internal controls over financial reporting.

Accounting Policies

The financial information contained in the Consolidated Financial Statements and the Management Discussion and Analysis is prepared using a framework of accounting policies developed from the nature of the commercial activities that company pursues. Some accounting policies due to their nature require further explanation.

Capitalization Policies

The Company capitalizes certain identified salary expenses identified in the development of in-house computer software. The company makes use of formula to determine which portion of a salary is to be capitalized. The method and process applied is consistent with previous years.

Foreign exchange contracts

The Company purchases forward contracts whenever it enters into a transaction to buy or sell foreign currency in the future. These contracts are short term in nature, in the regular course of business and are recorded for a short period of time only.

Dividends

In common with other listed Companies the Company has determined that it is not carrying a balance in its Low Rate Income Pool and therefore is free to pay eligible dividends to its shareholders.

Critical accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Critical accounting estimates include stock- based compensation, contributed surplus and commission advances, Actual results could differ from those estimates.

Dividend policy and pay outs

The Company has a formal dividend policy of paying a quarterly dividend of 20 cents per share.

Evaluation of financial instruments

In April 2005, the Accounting Standards Board issued new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with

many consequential amendments throughout the CICA Handbook. These new standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The Company will adopt the provisions of Section 3855 of the CICA Handbook with effect from its first quarter results for 2007.

The Company is presently evaluating its assets and liabilities and classifying them.

Income tax

Future income tax liability reflect management's estimate of the value of loss carry-forwards, minimum tax carry-overs and other temporary differences. The determination of the liabilities' value is based on assumptions related to results of operations of future fiscal years, timing of reversal of temporary differences and tax rates on the date of reversals, which may well change depending on governments' fiscal policies.

Future change to accounting policies

Sections 1530, 3855 and 3865of the CICA Handbook

The Company is presently reviewing the impact of these standards. The exact impact will depend on certain choices to be made along with the adoption of these new sections.

Management's Responsibility for Financial Statements

Olympia Financial Group Inc.

Fiscal years ended December 31, 2006 and 2005

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the board of directors and management of the Corporation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Corporation has developed and maintains a system of internal controls in order to assure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Rick Skauge
Chief Executive Officer

Dewar McCarthy
Chief Financial Officer

Calgary, Canada, April 17, 2006

Auditors' Report

To: The Shareholders of
Olympia Financial Group Inc.

We have audited the consolidated balance sheet of **Olympia Financial Group Inc.** (the "Company") as at December 31, 2006 and the consolidated statements of operations, retained earnings (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
February 28, 2007

Kenway Mack Slusarchuk Stewart LLP

Kenway Mack Slusarchuk Stewart LLP
Chartered Accountants

Financial Statements & Notes

Consolidated Balance Sheet

OLYMPIA
Financial Group Inc.

DECEMBER 31	2006	2005
ASSETS		
CURRENT		
Cash and cash equivalents (note 3)	**$ 6,493,672**	$ 4,600,670
Accounts receivable	**1,192,172**	1,021,210
Prepaid expenses	**182,575**	104,702
Current portion of commission advances (note 4)	**84,855**	119,147
	7,953,274	5,845,729
COMMISSION ADVANCES (note 4)	**169,709**	238,293
EQUIPMENT (note 5)	**966,134**	789,570
	$ 9,089,117	$ 6,873,592
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 817,218**	$ 714,998
Income taxes payable	**690,613**	543,624
Deferred revenue	**310,499**	199,172
	1,818,330	1,457,794
FUTURE INCOME TAXES (note 6)	**20,779**	17,600
	1,839,109	1,475,394
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 8)	**6,793,268**	6,598,851
CONTRIBUTED SURPLUS (note 9)	**62,514**	40,385
RETAINED EARNINGS (DEFICIT)	**394,226**	(1,241,038)
	7,250,008	5,398,198
	$ 9,089,117	$ 6,873,592

COMMITMENTS (note 11)

Approved on behalf of the Board

Director

Director

See accompanying notes to the consolidated financial statements

Consolidated Statement of Operations

OLYMPIA
Financial Group Inc.

YEAR ENDED DECEMBER 31	2006	2005
REVENUE	**$16,294,848**	$ 11,010,138
DIRECT EXPENSES	**3,151,182**	2,813,214
GROSS MARGIN	**13,143,666**	8,196,924
EXPENSES		
Salaries, management fees and bonus	**6,277,203**	3,953,051
General and administration (Schedule 1)	**1,988,179**	1,302,026
Rent	**576,436**	475,060
Amortization of equipment	**362,498**	233,233
	9,204,316	5,963,370
EARNINGS BEFORE INCOME TAXES	**3,939,350**	2,233,554
INCOME TAXES		
Current	**1,369,633**	703,500
Future	**3,179**	32,355
	1,372,812	735,855
NET EARNINGS	**$ 2,566,538**	$ 1,497,699
BASIC EARNINGS PER SHARE (note 10)	**1.15**	0.75
DILUTED EARNINGS PER SHARE (note 10)	**1.05**	0.64

See accompanying notes to the consolidated financial statements

Consolidated Statement of Retained Earnings (Deficit)

Olympia Financial Group Inc.

YEAR ENDED DECEMBER 31	2006	2005
DEFICIT, beginning of year	**$(1,241,038)**	$ (2,184,424)
Net earnings	**2,566,538**	1,497,699
	1,325,500	(686,725)
Dividends	**(931,274)**	(554,313)
RETAINED EARNINGS (DEFICIT), end of year	**$ 394,226**	$ (1,241,038)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

OLYMPIA
Financial Group Inc.

YEAR ENDED DECEMBER 31	2006	2005
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net earnings	**$2,566,538**	$ 1,497,699
Items not affecting cash		
Amortization	**362,498**	233,233
Future income taxes	**3,179**	32,355
Stock based compensation expense	**33,835**	-
	2,966,050	1,763,287
Change in non-cash working capital items		
Accounts receivable	**(170,962)**	(389,096)
Prepaid expenses	**(77,873)**	(19,011)
Accounts payable and accrued liabilities	**102,220**	141,831
Income taxes	**146,989**	414,185
Deferred revenue	**111,327**	49,939
Commission advances	**102,876**	(87,742)
	3,180,627	1,873,393
INVESTING ACTIVITY		
Purchase of equipment	**(539,062)**	(579,162)
FINANCING ACTIVITIES		
Issuance of capital stock	**182,711**	228,449
Dividends	**(931,274)**	(554,313)
	(748,563)	(325,864)
CHANGE IN CASH POSITION	**1,893,002**	968,367
CASH AND CASH EQUIVALENTS, beginning of year	**4,600,670**	3,632,303
CASH AND CASH EQUIVALENTS, end of year	**$6,493,672**	$ 4,600,670
OTHER INFORMATION		
Income taxes paid	**$1,208.968**	$ 289,129
Interest received	**$2,475,044**	$ 1,077,791

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Olympia Financial Group Inc. (the "Company") was incorporated on July 12, 1994 under the Alberta Business Corporation Act. The company is listed on the TSX Venture Exchange.

The majority of the Company's business is conducted through its wholly owned subsidiary Olympia Trust Company ("Olympia trust") as a non-deposit taking institution.

Olympia Trust received its letters patent on September 6, 1995 authorizing the formation of a trust company to be registered under the Loan and Trust Corporations Act of the Province of Alberta. Olympia Trust acts as a trustee for self-insured private health plans, manages self-administered registered retirement savings plans, acts as a registrar and transfer agent for public companies, administers employee stock purchase plans for corporations, provides foreign exchange services and other trustee services.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the accounting policies summarized as follows:

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary corporations, all of which are wholly-owned. All inter-corporate balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, commission advances, equipment, future income taxes, accounts payable and accrued liabilities, stock based compensation and contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Equipment

Equipment is recorded at cost. The Company provides for amortization using the following methods and rates designed to amortize the cost of the equipment over its estimated useful life. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates and methods are as follows:

Furniture and fixtures	20%	Declining balance
Leashold improvements	20%	Straight line
Computer equipment	30%	Declining balance
Computer software	$33^{1/3}$ %	Straight line
In-house software development	$33^{1/3}$ %	Straight line
Customer list	2 years	Straight line

The company capitalizes certain salary expenses incurred in the development of in-house computer software.

Impairment of long lived assets

The Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Revenue recognition

Revenue includes administration fees and client set-up fees from the self administered registered retirement savings plans and self insured private health plans. The Company earns transfer agent and registrar administration fees from the corporate and shareholder services offered to clients. Expense recoveries are charged for specific costs incurred for corporate and shareholder services and self insured private health plans. Foreign exchange transaction fee revenue is earned from the foreign exchange service offered. The Company also earns interest income from funds held with financial institutions, term deposits, other highly liquid investments and balances held in trust, as stipulated in its service contracts with its clients. The company retains interest on clients funds held in trust.

- Administration fees charged annually are recognized on a monthly basis as the timing of the services to be provided is of an uncertain nature. The unearned balance of transfer agent, registrar fees and registered retirement savings plan fees are included in deferred revenue.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

- Client set up fees are recognized upon set up of the client in the records of the Company.
- Administration fees are recognized when the services are provided and where there is reasonable certainty of collection.
- Expense recoveries are recognized when the costs are incurred and where there is reasonable certainty of collection.
- Transaction fees for foreign exchange services are recognized at the time the transaction occurs.
- Foreign exchange profits and losses from future contracts are recognized on a net basis at each period end using a mark to market method.
- Interest is recognized in the period earned.

Foreign exchange contracts

The Company purchases forward contracts whenever it enters into a transaction to buy or sell foreign currency in the future. These contracts are short term in nature, in the regular course of business and are recorded for a short period of time only.

Stock-based compensation

The Company has a stock based compensation plan, which is described in note 8d. Awards of options under this plan are expensed based on the fair value of the options at the grant date. The amount is credited to contributed surplus. Fair values are determined using the Black-Scholes option-pricing model. If the options are subject to a vesting period, the expense is recognized over this period. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as contributed surplus.

Post termination compensation

Compensation agreements for certain key executives provide for remuneration based on certain revenues. As part of these agreements there are termination clauses that provide for continuing payments after termination of employment. These payments are considered to be commission in nature and are based on or are contingent on future revenues. These payments will be accrued and expensed in the period the related revenue is earned and as such are not included as a liability in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Earnings per share

The calculation of basic earnings per share is based on net earnings divided by the weighted average number of common shares outstanding during the period.

The treasury stock method of calculating diluted earnings per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Cash and cash equivalents

Cash and cash equivalents consist principally of balances with financial institutions, term deposits and other highly liquid interest-bearing instruments with original maturities of three months or less.

Future income taxes

Future income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Commission advances

Agents of the Company's private health plan are paid the entire amount that is charged to clients when they sign on to the health plan. The Company also pays agents a commission advance.The Company estimates that it takes about 3 years to recover the commission. Hence 1/3 and 2/3 of these commission advances are classified as current and long term respectively.

Self - insured private health plans

The Company holds cash of $3,330,593 (2005 - $2,472,927) on behalf of its self-insured private health clients. These assets are the property of the plan holders and therefore are not reflected in these financial statements, and have not been subject to independent audit.

Self - administered registered retirement savings plans

Self-administered registered retirement savings plans consists of securities and mutual funds with an approximate market value of $488,989,088 (2005 - $330,233,832) plus cash and term deposits of approximately $42,572,930 (2005 - $27,307,762) owned by the self-administered registered retirement savings plans. These assets are the property of the plan holders and therefore are not reflected in these financial statements, and have not been subject to independent audit.

Trustee Services

The Company holds funds in trust of approximately $6,197,852 (2005 - $326,958,954) for clients who have hired Olympia to provide trustee services. These funds are the property of the beneficiaries and therefore are not reflected in the financial statements, and have not been subject to independent audit.

Dividends

The Company pays eligible dividends unless indicated otherwise.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in government guaranteed term deposits. Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	2006	2005
Cash on hand and balances with banks	**$ 3,493,672**	$ 2,600,670
Investments in term deposits	**3,000,000**	2,000,000
	$ 6,493,672	$ 4,600,670

4. COMMISSION ADVANCES

	2006	2005
Balance beginning of year	**$ 357,440**	$ 269,698
Commissions advanced to Agents	**214,656**	303,502
Commissions expensed	**(317,532)**	(215,760)
	254,564	357,440
Less current portion	**84,855**	119,147
Long term portion	**$ 169,709**	$ 238,293

5. EQUIPMENT

	Cost	Accumulated Amortization	2006 Net	2005 Net
Furniture and fixtures	$ 212,574	$ 80,801	**$ 131,773**	$ 101,428
Leasehold improvements	150,447	61,256	**89,191**	70,604
Computer and equipment	1,022,919	485,981	**536,938**	394,084
Computer software	646,844	440,027	**206,817**	223,454
Customer list	1,886	471	**1,415**	-
	$2,034,670	$1,068,536	**$ 966,134**	$ 789,570

During the year $30,695 (2005 - $78,391) in salary expense for the development of in-house software was capitalized.

6. FUTURE INCOME TAXES

a) The components of future income tax balances are as follows:

	2006	2005
Future income tax asset	**-**	-
Cumulative eligible capital available for tax purposes	**18,715**	21,800
Future income tax liability	**-**	-
Carrying amount of equipment in excess of tax basis	**(39,494)**	(39,400)
	$ (20,779)	$ (17,600)

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory rate of 32.12% (2005 - 33.12%) to the earnings for the year as follows:

	2006	2005
Earnings for the year before income tax	**$3,939,350**	$2,233,554
Anticipated income tax expense	**1,265,319**	750,921
Small business deduction	**(30,051)**	(55,500)
Subsidiary losses	**19,691**	-
Tax rate difference	**(42,742)**	(985)
Non-deductible expenses	**63,947**	32,689
Other	**11,164**	8,730
	$1,372,812	$ 735,855

7. RELATED PARTY TRANSACTIONS

a) During the year, the Company entered into transactions with the following related parties:

Companies controlled by the president of Olympia Trust Company and Olympia Financial Group Inc.
Companies controlled by directors of Olympia Trust Company and Olympia Financial Group Inc.
Companies controlled by management of Olympia Trust Company and Olympia Financial Group Inc.
Eyelogic Systems Inc., a company under common control

b) Transactions

		2006	2005
Revenue	- controlled by the president	$ **11,233**	$ 1,944
	- controlled by management	**38,716**	23,379
	- controlled by directors	**2,608**	2,500
	- Eyelogic Systems	**20,229**	20,471
		$ **72,786**	$ 48,294
Direct expenses	- controlled by the president	$ **150,670**	$ 164,151
	- controlled by key employees and management	**61,088**	276,096
	- controlled by directors	**81,057**	84,011
		$ **292,815**	$ 524,258
Operating expenses	- controlled by the president	$ **807,562**	$ 506,933
	- controlled by management	**420,336**	155,393
	- Eyelogic Systems Inc.	**(53,214)**	(70,508)
		$ **1,174,684**	$ 591,818

The Company earned revenues from related parties for transfer agent services provided.

Direct expenses were paid to companies controlled by management and directors for commissions relating to the self-insured health plans.

Operating expenses were paid to companies controlled by the president and management for management services.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. RELATED PARTY TRANSACTIONS, continued

c) Accounts receivable include amounts receivable from:

		2006		2005
Companies controlled by the president	$	**4,168**	$	-
Eyelogic Systems Inc.		**1,727**		1,315
Companies controlled by management		**2,854**		7,762
Companies controlled by directors		**2,745**		2,675
	$	**11,494**	$	11,752

d) Accounts payable and accrued liabilities include amounts payable to:

		2006		2005
Companies controlled by the president	$	**72,754**	$	60,441
Companies controlled by key employees and management		**9,395**		19,009
Companies controlled by directors		**7,852**		8,031
	$	**90,001**	$	87,481

8. CAPITAL STOCK

a) Authorized

Unlimited number of Class A voting shares
Unlimited number of Class B voting shares
Unlimited number of Class C non-voting common shares
Unlimited number of Class D non-voting common shares

b) Class A Common shares issued

	Number	Amount
Balance December 31, 2004	1,747,220	$ 6,370,402
Performance options exercised	287,500	14,375
Stock options exercised	53,215	196,073
Transferred from contributed surplus on exercise of options	-	18,001
Balance December 31, 2005	2,087,935	6,598,851
Performance options exercised	287,500	14,375
Stock options exercised	37,667	168,335
Transferred from contributed surplus on exercise of options	-	11,707
Balance December 31, 2006	2,413,102	$ 6,793,268

8. CAPITAL STOCK, continued

c) Employee Share Ownership Plan

Under this plan, the Company contributes $1 for each $1 contributed by employees to acquire common shares of the Company. Employee and Company contributions are used to purchase common shares in the open market. The Company contribution is included as an expense in the statement of operations and amounted to $16,509 (2005 - Nil)

d) Regular Stock Options

The Company has established a stock option plan for directors, officers, and employees to purchase Class A common shares. Stock options are issued with an exercise price equal to fair value of the Company's common shares on the date of grant. The fair value of the Company's shares is determined by considering the share trading activities, dividend multiples and earnings per share multiples. Stock options have a maximum term of five years and vest one-third on date of issuance and one-third on each of the next two anniversary dates from issuance. Changes in the number of options, with their weighted average exercise prices are summarized below:

	2006		2005	
	Number of options	**Average exercise price**	Number of options	Average exercise price
Balance, opening	**89,117**	**$ 5.11**	144,000	$ 4.78
Granted	**40,000**	**20.00**	-	-
Exercised	**(37,667)**	**4.47**	(53,215)	3.68
Expired	**-**	**-**	(1,668)	5.00
Balance, closing	**91,450**	**$ 11.89**	89,117	$ 5.11

The following table summarizes the options outstanding and exercisable at December 31, 2006.

Options Outstanding	Exercise Price	Options exercisable at December 31, 2006	Expiry Date
25,000	$ 5.00	25,000	December 13, 2007
11,450	5.00	11,450	March 31, 2009
15,000	7.00	15,000	November 24, 2008
14,668	20.00	14,668	June 21, 2011
12,666	20.00	-	June 21, 2011
12,666	20.00	-	June 21, 2011
91,450	$ 11.89	66,118	

8. CAPITAL STOCK, continued

e) Performance Options

The Company issued performance options to certain officers, directors and an employee to purchase Class A shares. Performance options have no maximum term and are exercisable at an exercise price of $0.05 per share upon the Company meeting earning targets of $0.50, $0.75, $1.00 and $2.00 per share. Earnings per share for performance options are defined as earnings net of amortization and income taxes divided by the number of shares outstanding at the beginning of the year. All 143,750 of each of the $0.50 and $0.75 performance options were exercised in 2005. All 143,750 of the $1.00 performance options were exercised in the first quarter of 2006. The 143,750 $2.00 per share performance options were exercised on April 11, 2006 and placed in escrow. The company has met the conditions for transfer from escrow at year end.

	2006		2005	
	Number of options	**Amount**	Number of options	Amount
Balance, opening	**287,500**	**$ 14,375**	575,000	$ 28,750
Exercised ($1 per share earnings	**(143,750)**	**(7,187)**	(143,750)	(7,187)
Exercised ($2 per share earnings	**(143,750)**	**(7,188)**	(143,750)	(7,188)
Balance, closing	**-**	**$ -**	287,500	$ 14,375

f) Stock based compensation

During the year 40,000 options were granted with assumptions of risk-free interest of 4%, expected lives of five years, and volatility of 19 percent. The amount of $33,835 (2005 - $Nil) has been charged to salary expense with an offsetting credit to contributed surplus.

9. CONTRIBUTED SURPLUS

	2006	2005
Balance, opening	**$ 40,385**	$ 40,385
Stock based compensation expense	**33,835**	-
Options exercised	**(11,706)**	-
Balance, closing	**$ 62,514**	$ 40,385

10. EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect of stock options outstanding and shares transferred from escrow at year end. Earnings per share is calculated as follows:

	2006			2005		
	Net earnings	**Weighted average common shares**	**Earnings per share**	Net earnings	Weighted average common shares	Earnings per share
Basic	**$ 2,566,538**	**2,241,206**	**$ 1.15**	$ 1,497,699	1,987,517	$ 0.75
Effect of options	**-**	**54,316**	**-**	-	340,466	-
Effect of shares transferred from escrow at year end	**-**	**143,750**	**-**	-	-	-
Diluted	**$ 2,566,538**	**2,439,272**	**$ 1.05**	$ 1,497,699	2,327,983	$ 0.64

11. COMMITMENTS

a) Operating lease

The Company entered into various operating agreements for the lease of office premises until August 31, 2012.

Future minimum lease payments exclusive of operating costs, by year and in aggregate are as follows:

2007	$ 378,495
2008	378,495
2009	375,284
2010	334,373
2011	276,093
Subsequent	153,910

b) Trailer commissions

Olympia Trust pays trailer commission ranging up to 3% to agents and other companies based on health claims.

c) Post termination benefits

Through a management contract for providing the services of Vice President Marketing, a termination benefit came into effect December 15, 2005 which provides 156 monthly payments of $9,000, subject to the Company continuing to earn claims commission. In the event that the company sells its Private Health Services business the obligation becomes due and payable.

11. COMMITMENTS, continued

Through a management contract for providing the services of President, among other things, there is a commitment to pay a termination benefit equal to 0.5% of the first $1,000,000 per month and 0.25% on health claims in excess of $1,000,000 per month for a period of ten years plus a final payment equal to three times the benefit paid out in year ten. This contract is in force and has not terminated. The benefit is based on future revenue and therefore cannot be reliably estimated.

12. FORWARD CONTRACTS

The Company has entered into the following forward contracts with its customers and bulk supplier. The expiry dates vary between January 2, 2007 and March 3, 2007:

	United States Dollars	Average strike price	Canadian Dollars	Fair value (notional) as at Dec 31, 2006	Deposits held in Canadian Dollars
Sell US Dollars	$ 2,204,000	$ 1.1406	$ 2,513,882	$ 62,290	$ 3,039
Buy US Dollars	2,150,000	1.1399	2,450,785	63,730	113,945
	$ 54,000		$ 63,097	$ (1,440)	

13. SEGMENTED INFORMATION

Net Operations 2006

	Health	C&SS	RRSP	FX	Corporate	Total
Revenues	$ 5,245,816	$ 5,743,341	$ 2,146,119	$ 611,444	$ 73,084	$ 13,819,804
Interest revenue	178,043	648,720	1,465,668	1,239	181,374	2,475,044
Direct expenses	(2,298,532)	(766,923)	-	(85,727)	-	(3,151,182)
Gross margin	3,125,327	5,625,138	3,611,787	526,956	254,458	13,143,666
Operating expenses	(1,936,505)	(4,078,702)	(1,957,186)	(791,056)	(78,369)	(8,841,818)
Amortization equipment	(95,676)	(140,808)	(79,030)	(46,984)	-	(362,498)
Earnings before income tax	1,093,146	1,405,628	1,575,571	(311,084)	176,089	3,939,350
Income taxes	(380,947)	(489,843)	(549,066)	108,409	(61,365)	(1,372,812)
Continuing operations	$ 712,199	$ 915,785	$ 1,026,505	$ (202,675)	$ 114,724	$ 2,566,538

13.SEGMENTED INFORMATION, continued

Net Operations 2005

	Health	C&SS	RRSP	FX	Corporate	Total
Revenues	$ 4,497,131	$ 3,990,117	$ 1,381,833	$ 49,172	$ 14,094	$ 9,932,347
Interest revenue	86,973	291,408	624,853	-	74,557	1,077,791
Direct expenses	(2,245,800)	(560,791)	-	(6,623)	-	(2,813,216)
Gross margin	2,338,304	3,720,734	2,006,686	42,549	88,651	8,196,926
Operating expenses	(1,338,803)	(2,657,793)	(1,301,341)	(381,715)	(50,485)	(5,730,173)
Amortization equipment	(61,181)	(100,760)	(54,648)	(16,644)	-	(233,233)
Earnings before income tax	938,320	962,181	650,697	(355,810)	38,166	2,233,554
Income taxes	(309,134)	(316,995)	(214,375)	117,223	(12,574)	(735,855)
Continuing operations	$ 629,186	$ 645,186	$ 436,322	$(238,587)	$ 25,592	$ 1,497,699

Total assets	**2006**	2005
Health	**$ 597,462**	$ 574,303
C&SS	**1,551,409**	1,319,630
RRSP	**184,906**	170,791
FX	**142,599**	108,896
Corporate	**6,612,741**	4,699,972
	$ 9,089,117	$ 6,873,592

Capital Expenditures	**2006**	2005
Health	**$ 114,419**	$ 139,592
C&SS	**241,317**	229,409
RRSP	**104,639**	100,181
FX	**80,687**	-
Corporate	**(2,000)**	109,980
	$ 539,062	$ 579,162

14.FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, accounts payable and accruals and long-term payable and long-term debt which will result in future cash outlays.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a significant number of customers which minimizes concentration of credit risk.

b) Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of forward contracts is not material and has not been recorded.

c) Interest rate risk

The Company is exposed to interest rate risk on its interest bearing deposits. Cash inflows fluctuate as a result of changes in market rates.

d) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company uses forward exchange contracts to reduce its exposure to foreign currency risk.

15.COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

Schedule of General and Administrative Expenses

Olympia Financial Group Inc.

YEARS ENDED DECEMBER 31	2006	2005
Advertising	$ 25,526	$ 11,106
Audit	56,650	72,750
Bad debts	91,511	26,945
Bank charges and interest	128,582	29,197
Business taxes	26,123	24,219
Computer	227,465	164,088
Courier and postage	160,644	133,569
Donations and promotions	136,053	123,619
Insurance	169,327	53,965
Meals and entertainment	222,620	136,062
Office and miscellaneous	318,266	239,756
Printing costs	163,796	129,706
Professional fees	72,507	25,565
Seminar	2,550	30,547
Telephone	111,350	56,852
Travel	75,209	44,080
	$ 1,988,179	$ 1,302,026

Corporate Information

OLYMPIA
Financial Group Inc.

DIRECTORS

Richard K. Skauge
Gordon Angevine [3]
Charles Chebry
Frank Bailey [2]
Randy Gregory
Anne Louise Bartlett [1]
Anthony Lanzl [2,3]
Brian Newman [1]
Jim Maldaner [1]
Patrick Windle [2,3]
Dewar McCarthy

BOARD COMMITTEES

[1] Audit Committee
[2] Corporate Governance Committee
[3] Executive Compensation Committee

HEAD OFFICE

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Fax: 403-265-1455
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TRANSFER AGENT

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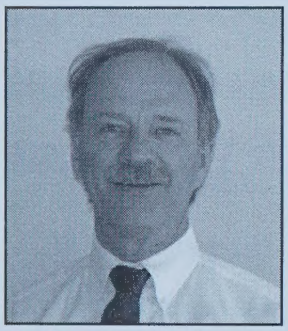
AUDITORS

Kenway Mack Slusarchuk Stewart LLP
Chartered Accountants
220, 333 – 11th Avenue S.W.
Calgary, AB T2R 1L9

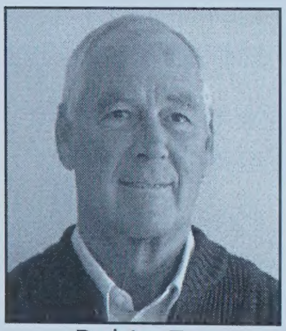
OFFICERS



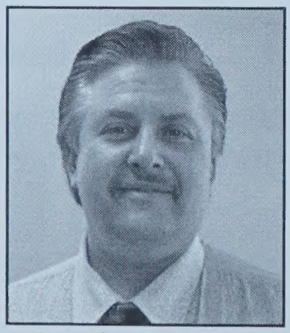
Richard K. Skauge
Chief Executive Officer and President

Dewar McCarthy
Chief Financial Officer

Lori Martai
Vice President, Registered Plans



Robin Fry
Vice President, Health Plans



Randy Gregory
Vice President, Corporate and Shareholder Services

Derick Kachuik
Vice President, Foreign Exchange Services

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